

Message Text

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12

ACTION NEA-16

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 FEA-02 AEC-11 AID-20 CEA-02 CIEP-03 COME-00

EB-11 FPC-01 INT-08 OMB-01 SAM-01 SCI-06 STR-08

TRSE-00 FRB-03 DRC-01 /170 W
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R 250530Z JUL 74

FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 1407

C O N F I D E N T I A L TRIPOLI 0819

E.O. 11652: GDS

TAGS: ENRG, LY

SUBJECT: LIBYA INITIATES COMPENSATION TALKS WITH AMOSEAS

1. LIBYA NATIONALIZED 51 PERCENT OF ALL FOREIGN OWNED OIL PRODUCING COMPANIES 1 SEPTEMBER 1973. AMERICAN OVERSEAS PETROLEUM CO. (A 50-50 JOINT SOCAL-TEXACO VENTURE) DID NOT RECONIZE TAKEOVER AND WAS ONE OF COMPANIES FULLY NATIONALIZED 11 FEBRUARY 1974. FIRST CONCRETE COMPENSATION OFFER FOR AMOSEAS' ASSETS WAS MADE 17 JULY BY LIBYAN MINPET MABROUK IN MEETING WITH HIGH LEVEL REPRESENTATIVES: J.S. BONNEY, SOCAL VICE PRESIDENT, AND R.R. MCCALL, TEXACO EASTERN HEMISPHERE OPERATIONS MANAGER; MEETING TOOK PLACE MABROUK'S INITIATIVE;

2. MABROUK TOLD AMOSEAS HE ANXIOUS TO HAVE OUTSTANDING MATTER SETTLED. AMOSEAS COULD BE COMPENSATED ON SAME BASIS THAT SHELL (ALSO 100 PERCENT NATIONALIZED) HAD ACCEPTED. COMPENSATION ON DEPRECIATED BOOK VALUE OF ASSETS BY PREFERENTIALLY PRICED CRUDE LIFTINGS. AMOSEAS COULD PURCHASE LARG-OWNED CRUDE AT AVERAGE ACQUISITION
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COST COMPANIES STILL OPERATING IN LIBYA PAY RATHER

THAN AT FULL BUY-BACK PRICE. DIFFERENCE BETWEEN FULL BUY-BACK PRICE AND AVERAGE ACQUISITION COST WOULD CONSTITUTE AMOSEAS COMPENSATION. FOR EXAMPLE, AT PRESENT PRICES AND MARKET CONDITIONS, BUY-BACK PRICE OF \$13.20 PER BARREL, EQUITY PRICE OF \$10.20 PER BARREL EQUAL AVERAGE ACQUISITION COST OF \$11.70 PER BARREL. THUS AT \$11.70 AMOSEAS WOULD BE LIFTING CRUDE AT \$1.50 LESS THAN OTHER PURCHASERS ARE PAYING FOR BUY-BACK BUT ESSENTIALLY SAME AVERAGE PRICE AS COMPANIES ONLY 51 PERCENT NATIONALIZED.

3. NOT MENTIONED IN MABROUK'S OFFER WERE QUANTITIES OIL AVAILABLE, TIME LIMITATIONS ON PREFERENTIAL LIFTINGS, SUBSEQUENT PRICING FOLLOWING COMPLETION COMPENSATION. IMPLICIT IN IN OFFER WAS THAT PREFERENTIAL PRICING WOULD INCREASE OR DECREASE WITH ACQUISITION PRICE PAID BY OTHERS.

4. AMOSEAS REPS TOLD MABROUK THEY WOULD INFORM PARENT MANAGERMENTS OF OFFER AND RETURN LIBYA FOR FURTHER DISCUSSIONS 27 JULY.

5. MABROUK ADDED HE INTERESTED IN DEVELOPING TECHNICAL MANPOWER SERVICE CONTRACT WITH AMOSEAS AND IMPLIED LARG HAD BEEN LESS THAN SUCCESSFUL IN MAINTAINING OLD AMOSEAS OPERATION WITH FREE-LANCE TECHNICIANS. HE SAID IF SERVICE CONTRACT NOT SATISFACTORY TO AMOSEAS HE WOULD BE WILLING CONSIDER OTHER FORMS COOPERATION INCLUDING JOINT VENTURES, ESPECIALLY IN GASIFICATION OR PETROCHEMICALS, OR AGREEMENTS WHERE AMOSEAS COULD PARTICIPATE IN MANAGEMENT, OPERATIONS OR MARKETING. (IN ADDITION PAYING COURT TO AMOSEAS, LARG HAS APPROACHED AT LEAST TWO OTHER AMERICAN FIRMS ASKING FOR ASSISTANCE IN MAINTAINING PRODUCTION AT OLD AMOSEAS OPERATION. ONE FIRM IS CREOLE PRODUCTION SERVICES OF HOUSTON WHOSE REPRESENTATIVE TOLD US THAT HE AND ANOTHER COMPANY HAD BEEN INVITED TO MAKE OFFER.)

5. LIBYANS HAVE SEEMINGLY LEARNED THAT RECRUITING MIXED GROUP INDIVIDUALS NO SUBSTITUTE FOR EXPERIENCED PRODUCTION TEAMS UNDER U.S. MANAGEMENT. MABROUK'S
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OFFER MAY REFLECT DEPRESSANT EFFECT TEXACO AND SOCAL LAW SUITS ARE HAVING ON PRICE LIBYAN CRUDE IN WESTERN MARKETS.
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